

SECURITY AGREEMENT

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RECORDATION: INDEXED & RECORDED

MAY 24 1976 - 12 03 PM  
INTERSTATE COMMERCE COMMISSION

This Security Agreement, dated this 17 day of May, 1976, from J. B. LUMBER, INC., a Washington corporation, ("Debtor") to WASHINGTON TRUST BANK, a Washington banking corporation ("Secured Party");

The Debtor and the Secured party have entered into an Agreement providing for the Secured Party to make a loan to Debtor in the maximum aggregate principal amount of \$80,000.00 to be evidenced by a Secured Note (the "Note" or "Notes") of the Debtor to be dated the date of issue and to mature in 84 monthly instalments with interest to be adjusted monthly on the basis of the Chase Manhattan Bank, N.A. prime rate, plus one and one-half per cent; provided, however, under no circumstances shall the effective interest rate on said adjusting obligation be in excess of 12 per cent or less than 8-1/2 per cent per annum.

GRANT OF SECURITY

1.1 The undersigned J. B. LUMBER, INC., Debtor, hereby grants to WASHINGTON TRUST BANK, West 717 Sprague Avenue, Spokane, Washington (Secured Party) a security interest in the following described property and all substitutions for, and additions and accessions thereto, and the proceeds thereof (the "Collateral");

Four (4) Thrall Railroad Lumber Cars  
numbered:

BENX 181	BENX 184
BENX 182	BENX 185

1.2 This Security Agreement is given to secure the payment of the Note or Notes hereinabove described and any future advances made by Secured Party to Debtor on this same Collateral.

1.3 If Debtor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or any other proceeding under the Federal Bankruptcy Laws; or makes an assignment for the benefit of creditors or is subject to any proceeding for reorganization arrangements, readjustment of debt, dissolution or liquidation; or if any obligor dies and fails to maintain its corporate existence in good

standing; or a Secured Party believes the prospect of payment or performance is impaired; the Debtor hereby grants to the Secured Party, as additional Collateral, a lien upon and a security interest in all rights and property of every kind, and the proceeds and products thereof, at any time in the possession or control of Secured Party, or any of its agents or correspondents; or in transit to it by mail or carrier, belonging to, for the account of, or subject to the order of Debtor. All of such additional Collateral may be set off against obligations secured hereby whether the same be due or not. Any person having possession of any property of Debtor is authorized to deposit the same as Collateral with Secured Party, and Secured Party is authorized to recognize such a person as the agent of Debtor for the purpose of making such deposit.

DEBTOR HEREBY COVENANTS, REPRESENTS AND WARRANTS AS FOLLOWS:

2.1 The Debtor is the sole owner of the Collateral and the same is free and clear of all security interests, liens, or encumbrances of every nature except the security interest created hereby. Debtor will defend the Collateral against the claims, and demands of all persons. Debtor will not create or permit the existence of any lien or security interest or encumbrance other than that created hereby on the Collateral without prior written consent of Secured Party.

2.2 The Collateral is used exclusively for Debtor's business, and the Debtor's chief place of business is Clarkston, Washington. Debtor will immediately advise Secured Party in writing of any change in Debtor's place or places of business, or the opening of any new place of business.

2.3 Debtor shall execute from time to time, alone or with Secured Party, any financing statements or other documents and do such other act or acts considered by Secured Party to be necessary or desirable to perfect or protect the security interest herein created, and shall pay all costs and expenses (including, without limitation, reasonable fees, and expenses of counsel and filing fees) related to the preparation and filing of any financing statements, continuation statements or other documents as may be required for the perfection or protection of the security interest hereby created.

2.4 Any and all property described or referred to in the granting clause hereof which is hereafter acquired, shall ipso facto and without any further conveyance, assignment or act on the part of Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein.

2.5 Debtor is a resident of Asotin County, State of Washington. The Collateral consists of mobile equipment (railroad rolling stock) with its home shop to be Thrall Car Manufacturing Company, Chicago Heights, Illinois; said equipment shall be used exclusively in Debtor's business and solely in the United States; and Debtor will not permit any substitutions or interchange of the Collateral.

#### TERMS AND CONDITIONS

3.1 Debtor agrees to comply with any governmental regulation or statute affecting the use of the Collateral and will not commit nor permit any act of waste, destruction or injury to the Collateral nor use or permit the use of the Collateral in any unlawful manner. Debtor will keep the Collateral in good repair. Secured Party may inspect the Collateral at reasonable times and intervals and may for this purpose enter the premises upon which the Collateral is located.

3.2 Debtor will not sell, lease or dispose of the Collateral or any interest therein, without the prior written consent of Secured Party.

3.3 Debtor will keep the Collateral continuously insured with such carriers, and in such amounts, and against such risks as shall be reasonably satisfactory to Secured Party, with such form of loss payable clause as designated by, and in favor of, Secured Party. All policies of insurance shall provide for ten days' written notice of cancellation to Secured Party, and Secured Party shall be furnished with duplicate policies or other evidence of compliance with the foregoing provisions. In the event of loss, Secured Party shall have full power to collect any and all insurance upon the Collateral, and then to apply the same at its option to any obligation secured hereby, whether or not matured, or to the restoration or repair of the Collateral.

3.4 Debtor will pay before delinquency all taxes or other governmental charges levied against the Collateral or its operation or use and all assessments upon the Collateral and will pay any tax which may be levied on any obligation secured hereby.

3.5 At its option, and without any obligation to do so, Secured Party may discharge or pay any taxes, assessments, liens, security interests or other encumbrances at any time levied or placed on or against the Collateral or Debtor, and may pay for insurance on the Collateral, and may pay for the Collateral's maintenance and preservation. Any amount so paid, with interest thereon at the maximum rate permitted by law from date of payment until repaid, shall be secured hereby and shall be repayable by Debtor on demand.

#### RESTRICTIONS

4.1 Without prior written approval of the Secured Party the Debtor shall not do any of the following: (a) Enter into any merger or consolidation or lease of all or substantially all of its assets. (b) Sell or lease any of the Thrall Railroad Cars financed within this Agreement.

#### DEFAULT

5.1 Time is of the essence in this Security Agreement and Debtor shall be in default upon the happening of any of the following: (a) Any failure to pay when due the principal and interest, taxes, insurance premiums, or other obligations or charges secured hereby. (b) Any failure to perform or observe any term or agreement herein. (c) Any representation or warranty made by Debtor herein or any financial statement given by any Obligor (which term includes Debtor, and each signer, endorser, surety and guarantor of the promissory notes secured hereby) to Secured Party as a basis for any extension of credit secured hereby shall prove to have been incorrect in any material respect. (d) Any obligation of Debtor (other than any obligation secured hereby) for the payment of borrowed money becomes or is declared to be due and payable prior to the express maturity thereof, or any judgment is entered against Debtor exceeding \$250,000. (e) If any of Debtor's property shall be seized or levied upon under any legal or governmental process against the Debtor or against his property; or if the Collateral described herein is lost, stolen, substantially damaged, destroyed or unreasonably depreciates in value; or if any equity in the Collateral is assigned without the

written consent of Secured Party. (f) If any Obligor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the Federal Bankruptcy Laws; or makes an assignment for the benefit of creditors or is subject to any proceeding for reorganization, arrangement, readjustment of debt, dissolution or liquidation; or if any Obligor is named in, or any of any Obligor's property is subject to, a suit for the appointment of a receiver; or if any Obligor dies or fails to maintain its corporate existence in good standing; or if Secured Party believes that the prospect of payment or performance is impaired.

5.2 Upon the happening of any of the foregoing events of default, the entire indebtedness secured hereby shall, at the option of Secured Party, become immediately due and payable without notice or demand, and Secured Party shall have the immediate right to pursue all remedies provided by law including remedies under the Washington Uniform Commercial Code; and without limiting the generality of the foregoing, Secured Party may exercise the following rights and remedies:

(a) Secured Party may peaceably, by its own means, or with judicial assistance, enter Debtor's premises and take possession of the Collateral, or render unusable or dispose of the Collateral on Debtor's premises, and Debtor will not resist or interfere with such action.

(b) Secured Party may require Debtor to assemble all or any part of the Collateral and make it available to Secured Party at any place designated in a notice sent to Debtor within a sixty (60) day period. The only places designated will be at Chicago Heights, Illinois or anywhere within the states of Washington or Idaho.

(c) Debtor hereby agrees that a notice sent to it by first class mail ten days before the time of any public sale or the time after which any private sale

or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition.

(d) Secured Party may incur reasonable attorneys' fees and legal expenses in exercising its rights and remedies upon default or in protecting or defending the priorities of Secured Party's interests in the Collateral. Debtor agrees to pay such reasonable attorneys' fees and all court costs, expenses of title search, and costs of public officials, all of which shall become part of Secured Party's reasonable expenses of retaking, holding, preparing for sale, selling or the like and shall be part of the debt secured hereby.

#### MISCELLANEOUS

No failure on the part of the Secured Party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Secured Party of any right or remedy hereunder preclude any other or future exercise thereof or the exercise of any other right or remedy. This Security Agreement and the rights and obligations of the parties hereunder, including remedies on default, shall be construed and interpreted in accordance with the laws of the State of Washington. Any notice or notification required to be given may be given by mailing such notice by first class mail, postage prepaid, to Debtor's address as it appears after Debtor's signature hereto. All the terms, conditions and covenants of this Security Agreement shall inure to the benefit of and bind the successors and assigns of the respective parties hereto.

This Security Agreement may not be changed orally, but only by an agreement in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

J. B. LUMBER, INC.  
P. O. Box 231  
Clarkston, WA 99403

By R. Guy Bennett  
Its Pres

Attest:

Hathleen Gochum  
Secretary

WASHINGTON TRUST BANK  
P. O. Box 2127  
Spokane, WA 99210

By John W. Anderson  
Its Vice President

Attest:

Robert French  
(Asst.) Secretary

Sate of Washington) ss  
County of Asotin )

On this 30th day of April, 1976 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared R. Guy Bennett and Hathleen Gochum to me known to be the The President and the Secretary, respectively, of J. B. LUMBER, INC., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.


Witness my hand and official seal hereto affixed the day and year first above written.

Steve Goodnow  
Notary Public in and for the State of Washington  
Residing at Clarkston

STATE OF WASHINGTON, )  
County of Spokane ) ss

On this 17th day of May, 1976 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared John W. Anderson and Robert D. French, to me known to be the Vice President and Assistant Secretary, respectively, of WASHINGTON TRUST BANK, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

  
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Notary Public in and for the State  
of Washington, residing in Spokane.